

## **London Councils' Policy to Combat Fraud, Bribery and Corruption**

March 2014

<b>Policy Agreed</b>	
Joint Consultative Committee	19 April 2010
Corporate Management Board	22 April 2010
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Audit Committee	20 March 2014
Leaders Committee AGM (for noting)	15 July 2014

# London Councils' Policy to Combat Fraud, Bribery and Corruption

## Introduction

London Councils employs around 120 members of staff and is primarily funded by borough subscriptions. Each of the 32 London boroughs and the City of London pays variable amounts, depending on their size, which amounted to £6.4 million in 2012/13.

Member boroughs also pay money to London Councils to run direct services on their behalf, such as the Freedom Pass and Taxicard schemes. In 2012/13, these schemes collectively cost approximately £331.7 million. London Councils also provides a grants scheme on behalf of the 32 London boroughs and the City of London which, in 2012/13, provided £11 million of grant funding to voluntary organisations.

The boroughs, along with Transport for London and the Greater London Authority, also pay nearly £12.8 million for a variety of parking and traffic related services provided by London Councils. These figures, together with other income, provided London Councils with a total turnover of nearly £365.4 million in 2012/13.

This level of turnover and expenditure entails a certain risk of fraud, bribery and corruption, from both internal and external sources, which London Councils must act to control.

This policy sets out London Councils' commitment to the prevention and detection of fraud, bribery and corruption. It summarises the responsibilities of members and officers and outlines the procedures to be followed where suspicion of fraud, bribery or corruption is raised.

This document replaces the previous Anti-Fraud and Anti-Corruption Policy and incorporates the changes to corruption legislation that have been included in the Bribery Act 2010.

## Definitions

The Audit Commission's definition of fraud is:

*The intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation (misuse) of assets or otherwise for gain.*

The Audit Commission has further defined corruption as:

*The offering, giving, soliciting, or acceptance of an inducement or reward which **may** influence any person to act inappropriately.*

Bribery is the giving or receiving of a financial or other advantage in connection with the 'improper performance' of a position of trust, or a function that is expected to be performed impartially or in good faith.

## Policies

London Councils takes a zero-tolerance position on bribery, fraud and corruption, and is committed to robust compliance with the Bribery Act 2010.

London Councils strives to provide services which meet the requirements of its stakeholders in accordance with its core values. In conducting its business, it is committed to reducing the risk of bribery, fraud and corruption. Where there is a possibility of bribery, fraud or corruption, London Councils will deal with it in a firm and controlled manner.

London Councils is committed to an effective policy to combat fraud, bribery and corruption which is designed to:

- promote standards of honest and fair conduct
- deter and prevent fraud, bribery and corruption
- detect and investigate fraud, bribery and corruption
- prosecute offenders
- recover any losses
- maintain strong systems of internal control
- raise awareness of London Councils' anti-fraud, bribery and corruption stance, reporting and response arrangements.

## **Conduct**

London Councils expects all people and organisations associated with it to be honest and fair in their dealings. London Councils expects its elected members and managers to lead by example.

### **Members**

Members are required to operate within the framework of the internal rules and regulations of London Councils which are set out in:

- London Councils' Standing Orders;
- London Councils' Member and Officer Relations Protocol.

These include the requirement to declare at meetings, and to register with the Head of Governance, potential areas of conflict between their London Councils duties and responsibilities and other areas of their personal and professional lives where appropriate.

### **Officers**

Similarly, London Councils expects its officers to ensure that they are familiar with:

- London Councils' Standing Orders;
- London Councils' Financial Regulations;
- London Councils' policies and procedures;
- Code of Conduct for officers of London Councils.

Officers must comply with London Councils' policy regarding the receipt of any gifts or hospitality. They are recommended to err on the side of caution if they are unsure as to

what course of action they should take in such circumstances and, if necessary, seek the advice of their Director.

Officers should be aware that offering, promising, giving or accepting any financial or other advantage, to induce the recipient or any other person to act improperly in the performance of their functions, or to reward them for acting improperly, or where the recipient would act improperly by accepting the advantage, may constitute an offence under the Bribery Act 2010.

If an officer believes that there is a conflict between their professional duties and those owed to London Councils then they must raise the matter with the Director of Corporate Resources in order that arrangements can be made to manage or resolve the conflict in an appropriate manner.

London Councils encourages officers to report any concerns and provide information if they suspect a fraud or irregularity. Please see London Councils' Whistleblowing Policy.

### **Managers**

Managers are expected to ensure that all officers have access to London Councils' policies and procedures.

Managers must ensure that suitable levels of internal checks are present in working procedures, especially financial procedures. It is important that duties are organised so that no one person can carry out a complete transaction without some form of checking process being built into the system.

### **Channels for reporting concerns**

London Councils recognises the dilemma faced by individuals who wish to report concerns that may indicate fraudulent or corrupt activity. In view of this, London Councils has a Whistleblowing Policy which aims to encourage people to feel confident in raising any serious concerns that they might have regarding the existence of fraud, bribery or corruption.

It is the intention of London Councils that the Whistleblowing Policy and the Policy to Combat - Fraud, Bribery and Corruption are widely publicised to contractors and London Councils stakeholders, members and officers. Any information which is disclosed through the provisions of these policies will be investigated properly.

### **Internal Audit**

Internal Audit plays a key role in the prevention of fraud, bribery and corruption by its independent and systematic examination of London Councils systems and procedures, geared to maintaining strong systems of internal control.

The scope of each Internal Audit review incorporates fraud awareness and ensures 'spot checks' are performed in between system reviews to test the probity of arrangements. Internal Audit is actively involved in national data matching exercises with a view to both identifying and reducing London Councils' exposure to fraud.

The Audit Committee is responsible for monitoring this Policy to Combat Fraud, Bribery and Corruption, as stated in the Audit Committee Terms of Reference.

The Director of Corporate Resources is responsible for disclosing to the Audit Committee all information in relation to fraud or suspected fraud. The Internal Audit Committee will review any fraud matters which are disclosed to them and help to bring improvements in the control of risk.

The Head of Audit and Risk Management at the City of London is an accredited PiNS9A officer, who has the authority to make enquiries and to obtain key information from banks and utility companies to assist in investigations, where requested by London Councils' Director of Corporate Resources.

### **Detection and investigation**

As required by London Councils' Financial Regulations and encouraged in London Councils' Whistleblowing Policy, officers should report any suspected cases of fraud, bribery or corruption to their line manager or if necessary to their Director. Reporting cases in this way is essential because it ensures that:

- suspected cases of fraud, bribery and corruption are investigated properly;
- all cases are dealt with by a standard process;
- the interests of individuals and London Councils are safeguarded.

Investigations into suspected cases of fraud, bribery or corruption should be led by the Director of Corporate Resources in the first instance or, if more appropriate, by the Chief Executive or his/her delegated representative. Investigations should be carried out with discretion and sensitivity. Those carrying out the investigation should confine themselves to investigating those matters which are the subject of, or are relevant to, the suspected fraud.

Once the investigation has been completed, a written report will be prepared which states the facts discovered by the investigation. The report will avoid speculation and no statement shall be made that cannot be supported by the facts.

### **Prosecution**

London Councils will press for the prosecution of offenders and will aim to recover from perpetrators any losses that it sustains as a result of fraud, bribery or corruption.

Officers of London Councils should not directly notify the police unless there is an immediate risk. The Director of Corporate Resources will first consult with the Chief Executive and the City of London's Head of Audit and Risk Management when it is thought appropriate to involve the police.

In deciding whether a fraud should be reported to the police, the following will be taken into account:

- the seriousness of the case;
- the level of evidence available;
- the level of money involved;
- whether the public interest will be served.

This procedure will be operated in conjunction with London Councils' disciplinary procedure. Any offending officers will be subject to general disciplinary procedures in addition to any criminal or civil prosecution processes.

### **Recovery of loss**

Where London Councils has suffered pecuniary loss, restitution will be sought of any benefit or advantage obtained, and the recovery of costs will be sought from the individual responsible for fraud.

As a first step the individual concerned will be asked to make good the loss.

It may be appropriate to consider recovering the loss from any monies due to the individual on termination, if the perpetrator is an officer of London Councils. The advice of the Director of Corporate Resources should be sought before attempting to make good any recovery.

Where an officer is a member of London Councils' pension scheme, and is guilty of fraud, London Councils may be able to recover the loss from the capital value of the individual's accrued benefits in the scheme, which are then reduced as advised by the actuary. If such action may be appropriate, legal advice should be sought in the first instance. If the individual will not make good the loss, consideration should be given to taking civil action to recover the loss, subject to legal advice received.

### **Post investigation**

The Director of Corporate Resources will be responsible for ensuring that lessons learned from any investigations are evaluated and result in the strengthening of the systems involved. The Director of Corporate Resources will also consult with the Chief Executive to determine whether it would be of benefit to London Councils to publicise the outcome of the investigation as a deterrent to other potential perpetrators.

In cases where an individual is suspected of fraud which a subsequent investigation does not substantiate, it is important that the potential damage to the individual's reputation is minimised. Whoever originally reported the suspected fraud or irregularity will be informed that the investigation revealed no evidence of wrongdoing.

### **Deterrence and prevention**

London Councils seeks to deter and prevent potential acts of fraud, bribery and corruption by:

- publicising that London Councils does not tolerate fraud, bribery or corruption, as demonstrated by this policy and the related Whistleblowing Policy;
- taking robust action when fraud, bribery or corruption is detected, as outlined in this policy;
- encouraging a strong anti-fraud, bribery and corruption culture amongst officers and members;
- deploying robust systems of internal control to mitigate the opportunity for fraud and corruption;

- keeping and regularly assessing corporate risk registers and implementing appropriate strategies to mitigate any risks of fraud, bribery or corruption which are identified.

## **Controls for specific risk areas**

### **Access to networks, systems and databases**

It is the responsibility of line managers to ensure that newly recruited staff are given the appropriate network level access. It is the responsibility of the relevant systems administrator to ensure that officers are given the appropriate level of access to systems and databases for their role, and to revoke access when it is not appropriate.

It is the responsibility of all staff to ensure that any password issued to them for use on any London Councils computer system is kept secure and confidential. This is stated in the London Councils Internet, Email and Telephone Use Policy.

### **Recruitment**

Officers must be appointed in accordance with London Councils' recruitment and selection procedures. Written references should be obtained and should include information regarding the honesty and integrity of potential staff. Actual evidence of key qualifications claimed by prospective employees should also be obtained and checked.

### **Freedom Pass Scheme**

London Councils aims to ensure that the Freedom Pass scheme is not used fraudulently by persons who are not eligible for the scheme. The Freedom Pass database is regularly reviewed to mitigate the fraud risk that passes are held by individuals who are not entitled. London Councils will ensure that appropriate steps are taken in the future to ensure that the database remains up to date.

### **Grants**

The London Councils Grants Committee ensures that the selection of grants is made on the basis of funding priorities and an assessment of the strengths of individual applications, and guards against bribery and corruption in the selection of grants.

The Grants Committee monitors all grants to ensure that grant money is used solely for the agreed purposes. London Councils requires audited accounts and budgets to be provided for organisations that are to receive funds and completes due diligence checks. Organisations receiving grants will not receive funds until a grant agreement is in place between the organisation, partners and London Councils, setting out the delivery of the service and arrangements for monitoring.

The organisations funded by London Councils' grants programme are subject to a strict audit regime. At audit, financial claims must be able to be verified against programme and project records. Where the records do not match claims made, irregularities are reported.

## **Parking and transport**

The adjudicators and assessors who determine appeals at PATAS and POPLA are independent of all parties to appeals, including local authorities, Transport for London, parking operators and the British Parking Association. The adjudicators and assessors are also independent of London Councils and make their determinations without input or interference from officers of London Councils. This separation alleviates the risk of corruption in the determination of parking appeals.

If an officer or member of London Councils wishes to register an appeal with PATAS or POPLA, they should first notify the Corporate Director of Services. This is to ensure that there is no appearance that any appellant has been able to receive preferential treatment. All appeals will be dealt with fairly and on the basis of evidence.